

# Finances

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# Balance sheet at December 31, 2023

Fraunhofer-Gesellschaft zur Förderung der angewandten Forschung e. V., Munich

ASSETS	2023 in €	2023 in €	2023 in €	2022 in € (1,000)
<b>A. Noncurrent assets</b>				
<b>I. Intangible assets</b>				
1. Concessions, intellectual property rights and similar rights and assets	34,407,776.83			38,394
2. Advance payments	3,438,261.26			1,102
		37,846,038.09		39,496
<b>II. Property, plant and equipment</b>				
1. Land, land rights and buildings, including buildings on third-party land	1,597,243,700.26			1,596,631
2. Technical plant and machinery	603,033,050.60			597,863
3. Other plant, operating and business equipment	123,188,551.17			75,441
4. Advance payments and assets under construction	595,415,346.92			453,751
		2,918,880,648.95		2,723,686
<b>III. Financial assets</b>				
1. Shares in affiliated companies	92,782.82			93
2. Shareholdings	31,455,699.62			9,136
3. Securities held as noncurrent assets	8,238,664.30			8,239
4. Other loans	890,000.00			1,245
		40,677,146.74		18,713
			2,997,403,833.78	2,781,895
<b>B. Current assets</b>				
<b>I. Inventories</b>				
1. Raw, auxiliary and operating materials	41,502.79			102
2. Work in progress —	529,330,556.60			523,039
advance payments received	-476,053,145.87			-404,279
	53,277,410.73			118,760
3. Advance payments	131,202.06			266
		53,450,115.58		119,128
<b>II. Accounts receivable and other current assets</b>				
1. Trade receivables	326,725,490.88			271,741
2. Receivables from the federal and state governments				
a) relating to base funding	374,260,757.04			27,835
b) relating to project billing, including contract research	354,808,691.19			335,161
c) relating to pension and compensated leave provisions	109,263,100.00			106,515
	838,332,548.23			469,511
3. Accounts receivable from affiliated companies	402,527.82			7,627
4. Other current assets	105,385,304.68			130,984
		1,270,845,871.61		879,863
<b>III. Other securities</b>		459,184,505.91		512,137
<b>IV. Cash and cash equivalents</b>		18,231,862.53		293,416
<b>C. Prepaid expenses and deferred charges</b>			1,801,712,355.63	1,804,544
			56,367,938.45	30,470
			<b>4,855,484,127.86</b>	<b>4,616,909</b>

Trust assets

83,371,518.07

65,669

## Fraunhofer-Gesellschaft zur Förderung der angewandten Forschung e. V., Munich

EQUITY AND LIABILITIES	2023 in €	2023 in €	2023 in €	2022 in € (1,000)
<b>A. Equity</b>				
<b>I. Non-profit organization capital</b>				
Carried forward	15,525,289.24			15,453
Annual result	113,457.54			72
		15,638,746.78		15,525
<b>II. Reserves for statutory purposes</b>				
Carried forward	15,725.00			15
Transfers	5,000.00			–
Allocations	500.00			1
		11,225.00		16
			15,649,971.78	15,541
<b>B. Extraordinary items</b>				
1. License-fee revenue reserve for statutory purposes		372,237,826.83		404,402
2. Grants relating to noncurrent assets		2,986,183,710.74		2,770,535
3. Grants used to finance current assets		320,427,662.86		379,726
4. Extraordinary item for payments from patent sales		103,227,488.63		128,372
5. For financing restructuring measures		16,845,800.00		21,145
			3,798,922,489.06	3,704,180
<b>C. Provisions</b>				
1. Provisions for pensions and similar obligations		9,133,100.00		8,765
2. Other provisions		267,852,296.93		233,814
			276,985,396.93	242,579
<b>D. Liabilities</b>				
1. Trade payables		134,788,727.24		120,015
2. Unappropriated grants from the federal and state governments				
a) relating to base funding	392,113,362.54			319,916
b) relating to project billing	169,370,509.32			164,316
		561,483,871.86		484,232
3. Accounts payable to affiliated companies		1,070,579.63		769
4. Other liabilities		58,605,929.45		44,550
			755,949,108.18	649,566
<b>E. Accrued expenses and deferred income</b>			7,977,161.91	5,043
			<b>4,855,484,127.86</b>	<b>4,616,909</b>

Trust liabilities

83,371,518.07

65,669

# Income statement for the financial year 2023

## Fraunhofer-Gesellschaft zur Förderung der angewandten Forschung e. V., Munich

	2023 in €	2023 in €	2023 in €	2022 in € (1,000)
<b>1. Revenue from base funding</b>				
1.1 Federal government		848,171,234.03		876,651
1.2 State governments		169,047,913.62		173,603
			1,017,219,147.65	1,050,254
<b>2. Revenue from own activities</b>				
2.1 Revenue from research and development activities				
2.1.1 Federal government: Project funding	906,318,110.02			767,393
Contracts	23,867,480.40			29,347
2.1.2 State governments: Project funding	240,105,627.32			265,358
Contracts	4,927,691.62			9,913
2.1.3 Industry, business and trade associations	821,256,260.02			756,401
2.1.4 Research funding organizations and other sources	213,288,574.07			192,161
		2,209,763,743.45		2,020,573
2.2 Other revenue		7,194,496.20		6,706
<b>Total revenue</b>			2,216,958,239.65	2,027,279
2.3 Increase in work in progress (2022: decrease)		6,292,062.01		-3,990
2.4 Other internally constructed and capitalized assets		8,343,791.48		6,143
2.5 Other operating income		75,397,181.92		38,817
2.6 Income from shareholdings		8,099,776.33		12,058
2.7 Other interest and similar income		12,477,610.97		2,901
			110,610,422.71	55,929
<b>Total of base funding and revenue from own activities</b>			3,344,787,810.01	3,133,462
<b>3. Change in extraordinary items</b>				
3.1 License-fee revenue reserve for statutory purposes				
3.1.1 Allocations		-		-23,821
3.1.2 Reversals		17,638,314.28		34,927
3.2 Grants relating to noncurrent assets				
3.2.1 Allocations (capital expenditure)		-579,967,938.87		-482,260
3.2.2 Reversals (depreciation and amortization)		378,835,088.44		345,822
3.3 Grants released from financing current assets (2022: grants used to finance current assets)		59,297,920.23		-84,233
3.4 For financing restructuring measures				
Allocations		-		-46
Reversals		4,298,900.00		3,512
			-119,897,715.92	-206,099
<b>4. Total of base funding and revenue from own activities available to cover expenditure</b>			3,224,890,094.09	2,927,363

## Fraunhofer-Gesellschaft zur Förderung der angewandten Forschung e. V., Munich

	<u>2023 in €</u>	<u>2023 in €</u>	<u>2023 in €</u>	<u>2022 in € (1,000)</u>
Carryover			3,224,890,094.09	2,927,363
<b>5. Cost of materials</b>				
5.1 Expenditure on raw, auxiliary and operating materials	256,735,492.34			197,204
5.2 Expenditure on purchased research and development services	270,404,409.89			241,061
		527,139,902.23		438,265
<b>6. Personnel expenses</b>				
6.1 Salaries	1,565,592,599.78			1,438,172
6.2 Social contributions and expenses for pension schemes and other benefits of which for pension schemes: €64,343,023.25 (2022: €67,948 (1,000))	354,021,032.34			321,202
		1,919,613,632.12		1,759,374
<b>7. Amortization of intangible assets and depreciation of noncurrent assets</b>			378,507,219.39	344,375
<b>8. Other operating expenses</b>			398,741,213.04	382,832
<b>9. Amortization of financial assets and securities classified as current assets</b>			497,041.03	2,166
<b>10. Interest and similar expenses</b>			282,128.74	278
<b>Total expenditure</b>			<b>3,224,781,136.55</b>	<b>2,927,290</b>
<b>11. Net income for the year</b>			108,957.54	73
<b>12. Transfers from reserves</b>			5,000.00	–
<b>13. Allocations to reserves</b>			–500.00	–1
<b>14. Annual result</b>			113,457.54	72
<b>15. Allocation to non-profit organization capital</b>			–113,457.54	–72
			<u>–</u>	<u>–</u>

# Excerpts from the notes to the 2023 financial statements

## 1. General disclosures

Fraunhofer-Gesellschaft zur Förderung der angewandten Forschung e. V., headquartered in Munich, is a non-profit organization registered with the local court of Munich under the reference code VR 4461.

The annual financial statements for the year ending December 31, 2023, were prepared voluntarily and in accordance with the requirements of the German Commercial Code (Handelsgesetzbuch, HGB) as applicable to large corporate entities. The income statement was prepared in accordance with the total cost method.

The basis of the Fraunhofer-Gesellschaft's accounting method is the performance statement, from which the annual financial statements are derived.

The performance statement is adapted to the requirements of the public funding authorities in terms of format and reconciliation. It provides a breakdown of operating expenses and capital expenditure at three different levels: individual

institutes, headquarters and the organization as a whole. The components of the operating budget are presented as income or expenses in accordance with generally accepted accounting principles. Capital expenditure on property, plant and equipment and on financial assets, on the other hand, is recognized at cost on acquisition of the assets. Therefore, the operating budget does not include any depreciation/amortization expenses on these items.

In order to account for grants received from grant authorities, the performance statement for the organization as a whole is reconciled to the revenue and expense statement format used in single-entry bookkeeping by eliminating the effect of cash-neutral income and expense items. The income statement includes these changes in payables and receivables compared with the previous year as well as depreciation/amortization charges. In the balance sheet, these reconciliation items are included under the extraordinary items "Grants used to finance current assets" and "Grants relating to noncurrent assets." The figures in the performance statement are explained in the management report, where they are broken down into the three areas of contract research, additional research funding and major infrastructure capital expenditure.

<b>Annual financial statements of the Fraunhofer-Gesellschaft</b>		Reconciliation to the <b>income and expense statement format</b> used in single-entry bookkeeping
	Income statement	
	Reconciliation between income statement and performance statement	
Balance sheet	<b>Performance statement</b>	
Management report	Budgeted operating expenses and capital expenditure at Fraunhofer-Gesellschaft "Total business volume" level	
Notes to the financial statements	Separate financial statements of the institutes/headquarters	
	<b>Operating budget</b> – Costs (excluding depreciation and amortization) – Income	<b>Capital expenditure</b> – Expenses – Income

## 2. Recognition and measurement methods

Intangible assets and property, plant and equipment are measured at amortized cost, i.e., the cost of acquisition or production less depreciation/amortization calculated on a straight-line basis.

Intangible assets are amortized over a useful life of three years.

Institute buildings on Fraunhofer and third-party land are depreciated as follows:

- Added before April 1985 at 2 percent
- Added between April 1, 1985, and December 31, 2000, at 4 percent
- Added after January 1, 2001, at 3 percent

A useful life of five years is applied to movable items of property, plant and equipment. However, a useful life of four years is assumed for communication, video and audio systems, and three years for IT hardware. Motor vehicles are depreciated over a useful life of four years.

Financial assets are measured at cost or at fair value, whichever is lower.

Since the noncurrent assets presented in the ordinary accounts are financed by government grants, the extraordinary item "Grants relating to noncurrent assets" is reduced by an amount corresponding to the depreciation/amortization of these assets. Therefore, these adjustments have no impact on the income statement.

Work in progress is measured at the cost of production or fair value, whichever is lower. Production costs include applicable personnel expenses, cost of materials, general administrative expenses and depreciation/amortization charges. Advance payments received (including VAT) are openly deducted under inventories.

Trade receivables and other assets are recognized at their nominal value. Irrecoverable debts are remeasured at the reporting date. The overall non-payment risk is limited by creating a provision for doubtful debts corresponding to 2 percent of the total amount of accounts receivable.

Securities classified as current assets are recognized at cost.

Cash and cash equivalents are recognized at their nominal value.

Payments made before the reporting date for which the associated benefits will be received in a future period are recognized as prepaid expenses in the balance sheet.

The Fraunhofer-Gesellschaft makes use of the instrument provided for in its financial statutes of recognizing a balance sheet reserve in particular for liquidity and risk safeguards.

Funding used to finance noncurrent assets is allocated to the extraordinary item "Grants relating to noncurrent assets." A separate extraordinary item is used to account for grants used to finance current assets.

Provisions for pensions and similar obligations for which the Fraunhofer-Gesellschaft has a reinsurance policy in place are measured on the basis of the capitalized amount calculated by the insurance company at the reporting date. The capitalized amounts are calculated in accordance with the information provided by the insurance company and on the basis of the DAV 2004 R guideline tables. Adjustments to current pensions and to applicable income are not taken into account. If there is no reinsurance policy in place, or if the settlement cost of the pension obligations exceeds the capitalized amount calculated by the reinsurer, the amount recognized as a provision is calculated in accordance with an expert opinion based on actuarial evidence. The settlement amount of the pension obligation is calculated using the present value method (method for calculating current single premiums). A 10-year-average actuarial interest rate of 1.82 percent was used in the calculation in accordance with section 253 (2) HGB, along with the 2018 G Heubeck guideline tables.

Other provisions comprise amounts set aside to cover all identifiable risks and contingent liabilities. These provisions are measured in accordance with section 253 (1) HGB on the basis of a reasonable estimate of the most probable outcome. Other provisions for liabilities due in more than one year are discounted at the average market interest rate for loans of a similar maturity as calculated by the Deutsche Bundesbank in December 2023, pursuant to section 253 (2) HGB. Provisions for partial retirement are calculated on the basis of the policies already concluded.

Liabilities are measured at the settlement amount.

Payments received before the reporting date for benefits to be delivered in a future period are recognized in the balance sheet as deferred income.

Amounts recognized for transactions in foreign currencies are translated at the applicable hedging rates of the respective currencies. In the annual financial statements, foreign currency holdings are translated at the average spot exchange rate prevailing on the reporting date.

Items in transit are noted as trust assets and trust liabilities in a separate line at the foot of the Fraunhofer-Gesellschaft balance sheet.

# Convenience translation of the German independent auditor's report

This is a convenience translation of the German independent auditor's report. Solely the original text in the German language is authoritative. The independent auditor's report is based on the balance sheet at December 31, 2023, the income statement for the financial year 2023 and the full notes to the 2023 financial statements and the 2023 management report.

"To Fraunhofer-Gesellschaft zur Förderung der angewandten Forschung e. V., Munich

## Audit opinion

We have audited the annual financial statements prepared by Fraunhofer-Gesellschaft zur Förderung der angewandten Forschung e.V., Munich, comprising the balance sheet as at December 31, 2023, the income statement for the financial year from January 1 to December 31, 2023, and the notes to the financial statements, including the presentation of the applied recognition and measurement methods. In addition, we have audited the management report of Fraunhofer-Gesellschaft zur Förderung der angewandten Forschung e.V., Munich, for the financial year from January 1, 2023 to December 31, 2023.

According to our opinion, as based on the results of the audit:

- The attached annual financial statements comply in all material respects with the provisions of the German Commercial Code (Handelsgesetzbuch, HGB) as applicable to large corporate entities and those of German generally accepted accounting principles (GAAP). Together, this information presents a true and fair view of the organization's net assets and financial position as at December 31, 2023, and of its operating results for the financial year commencing January 1, 2023, and ending December 31, 2023.
- The attached management report provides a true and fair view of the organization's current operating situation. In all material respects, the management report is consistent with the annual financial statements, complies with German statutory requirements and provides an appropriate picture of the organization's future opportunities and risks.

In accordance with section 322 (3) item 1 HGB, we declare that our audit of the annual financial statements and management report did not lead to any reservation/observations.

## Basis for opinion

We conducted our audit of the annual financial statements and the management report in accordance with section 317 HGB and the German generally accepted standards for the audit of financial statements set by the Institute of Public Auditors in Germany (IDW). Our responsibilities under those standards are further described below under the heading "Auditors' responsibility for the audit of the annual financial statements and management report." We declare that we are independent auditors as defined by German commercial law and that we exercise our other duties in Germany in compliance with the relevant professional code of conduct, with no other connection to or interests in the Fraunhofer-Gesellschaft. It is our considered opinion that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the annual financial statements and the management report.

## Responsibility of the legal representatives and the senate for the annual financial statements and management report

The legal representatives are responsible for preparing the annual financial statements in accordance with the provisions of the HGB as applicable to large corporate entities, and for ensuring that they comply with German generally accepted accounting principles (GAAP) and present a true and fair view of the organization's net assets, financial position and operating results. Furthermore, the legal representatives are responsible for carrying out internal audits to the extent that these are considered necessary to comply with German GAAP, as a basis for preparing annual financial statements in such a way that they are free of material misstatements, whether due to fraud (i.e., fraudulent accounting manipulations and financial losses) or error.

In preparing the annual financial statements, the legal representatives are also responsible for determining the

organization's ability to continue operating as a going concern, which includes disclosing any relevant information concerning this matter. Moreover, they are responsible for applying methods of accounting that allow assessment of the organization's continuing existence as a going concern, insofar as there are no material or legal circumstances that might contradict this assessment.

Another of the legal representatives' responsibilities is the preparation of a management report, which must be consistent with all material aspects of the annual financial statements, comply with German statutory requirements, provide a true reflection of the organization's financial position and provide a realistic assessment of the organization's future opportunities and risks. In addition, the legal representatives are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and provision of sufficient appropriate evidence for the statements made in the management report.

It is the senate's duty to present the annual financial statements to the general assembly for approval.

### **Auditor's responsibility for the audit of the annual financial statements and management report**

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement due to fraudulent activities or errors and whether the management report as a whole provides an appropriate view of the organization's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with German legal requirements and appropriately presents the opportunities and risks of the organization's future development as well as to issue an auditor's report comprising our audit opinion on the annual financial statements and on the management report.

Reasonable assurance implies a high level of confidence but does not guarantee that an audit conducted in full compliance with the provisions of section 317 HGB and of the generally accepted accounting principles set by the Institute of Public Auditors in Germany (IDW) will always detect a material misstatement when it exists. Misstatements may result from fraudulent activities or errors and are deemed to be material if it can be reasonably expected that they might individually or severally influence business decisions taken by the reader on the basis of the annual financial statements or management report.

Throughout the audit process, we exercise professional judgment and maintain a neutral but critical attitude. We also:

- Identify and assess the risks associated with material misstatements in the annual financial statements and management report due to fraudulent activities or errors, plan and carry out our auditing activities in response to these risks and collect sufficient, appropriate documentary evidence to substantiate our audit opinion. The risk that material misstatements resulting from fraudulent activities are not detected is higher than the risk that material misstatements resulting from errors are not detected since fraudulent activities may involve collusion, forgery, intentional omissions, misleading representations, or the override of internal controls.
- Familiarize ourselves with the internal control system and other instruments and measures insofar as they affect the auditing of the annual financial statements and management report, in order to design audit procedures that are appropriate in the given circumstances. However, it is not the purpose of the audit to judge the effectiveness of the organization's control system.
- Assess the appropriateness of the accounting principles applied by the legal representatives and the extent to which their estimated values and the associated information they specify are backed up by documented evidence.
- Draw conclusions as to the appropriateness of the accounting principles applied by the legal representatives to determine the organization's ability to continue as a going concern and, on the basis of the audit evidence, to determine whether material uncertainties exist about events or conditions that may cast significant doubt on the organization's ability to continue as a going concern. If our investigations lead to the conclusion that material uncertainties do exist, it is our duty to comment on this fact in our independent auditor's report, providing references to the relevant disclosures in the annual financial statements and/or management report. Alternatively, if such comments are inappropriate, it is our duty to modify our audit opinion accordingly. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- Verify that the overall presentation, structure and content of the annual financial statements, including the disclosures and the presentation of underlying business transactions and events, comply with German generally accepted accounting principles (GAAP) and present a true and fair view of the organization's net assets, financial position and operating results.

- Confirm that the management report complies with the annual financial statements, meets legal requirements and conveys a true image of the organization's situation.
- Perform audit procedures on the prospective information presented by the legal representatives in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information and evaluate the proper derivation of the prospective information from these assumptions. We have not provided an independent audit opinion on the prospective information or the data on which it is based. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

Nuremberg, April 18, 2024  
Rödl & Partner GmbH  
Wirtschaftsprüfungsgesellschaft

Signature: Grässle  
Auditor

Signature: Hahn  
Auditor

(End of convenience translation of the German independent auditor's report.)"